

Rise and Fall: The shift in household growth rates since the 1990s

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Summary

Over the past two decades, UK household formation rates have undergone a striking change. After many decades during which the number of households per head of population was rising, since around the turn of the 21st century that ratio has plateaued and even begun to fall. The manifestation of this can be seen in average household sizes which ceased their decades-long decline and have shown signs in recent years of beginning to rise. These developments have implications for policymaking, and particularly housebuilding targets, because they suggest at first glance that fewer households may be formed in the future than has been anticipated previously, based on past trends. Some commentators go as far as to suggest that there is no shortage of housing given that fewer households are now being formed than homes are being built.

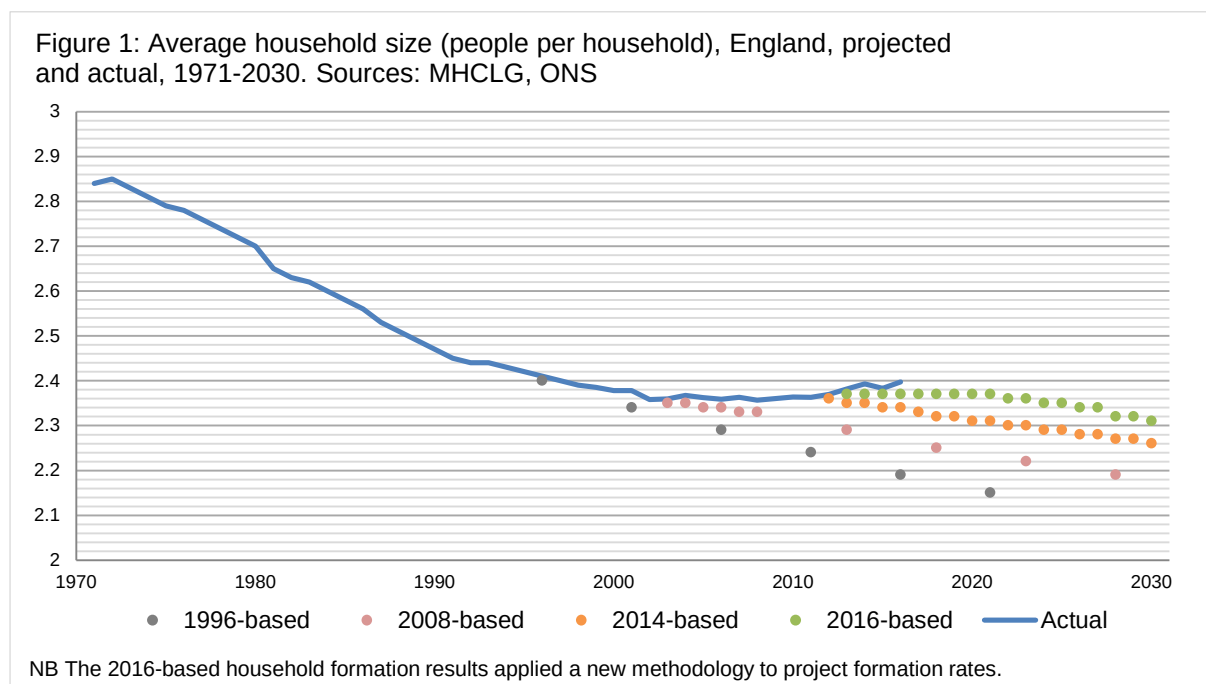
But this raises an important question: has this turning point in household formation rates been the result of unconstrained lifestyle choices, or has it been a response to economic pressures and, in particular, the state of the housing market? Have household formation rates undergone a natural shift to which policy should now adapt, or have they been depressed by constraints which are transitory and/or remediable? This paper explores this issue and seeks to shed some light on how and why these changes in household formation have occurred.

It describes how the underlying shift has been a decline in the proportion of single-person households among younger adults. The reasons for this are mixed. Much of the shift has corresponded with compositional changes, namely an increase in the migrant population, among whom household sizes tend to be significantly higher than among the UK-born. But there have also been important changes in household formation patterns among the UK-born too, most notably a marked increase in the proportion of young adults living with their parents. The proportion of 20 to 34-year-olds living with their parents rose from 19 per cent in 1998 to 26 per cent in 2017 – equivalent to an additional 900,000 young adults living with their parents. Among 23-year-olds that increase has been even steeper, from 37 per cent to 49 per cent across the same period. The extent of these changes has varied considerably between different regions and largely correlates with relative housing costs, suggesting that they reflect affordability constraints to a considerable degree, as opposed to evolving normative preferences.

Background

For most of the 20th century, the UK household formation rate (the number of households formed per head of population) was increasing rapidly. This resulted in a fall in the average household size from about 4.6 people per household in 1901 to 3.9 in 1931, 3.3 in 1951, 2.9 in 1971 and 2.36 in 2001.¹ In the early 2000s, however, household formation rates plateaued nationally and the fall in the average household size slowed to a halt, flatlining around 2.36 for about a decade until, in the past few years, it has even started rising. In 2017 it was 2.39, the highest level it had been since 1999 (Figure 1).²

This shift represented a significant turning point that was not anticipated by government statisticians. Had household formation rates continued to rise as projected by the then Department of the Environment, Transport and the Regions (DETR) in 1999 (based on data up to 1996) the average household size would have fallen to 2.24 in 2011 and 2.15 in 2021.³



Why this process occurred warrants careful consideration because significant policy implications turn on the answer. The household growth projections are used as the starting point – the ‘demographic baseline’ – for assessing future housing need and are one of the principal evidential bases for the widely-held view that housebuilding has not kept up with need, resulting in a mounting under-supply. If the implied decline in household sizes in the 1999 projections had been accurate, then household growth might have been expected to average 245,278 a year between 1997 and 2016 (given the rate of population increase during this period). Net housing supply since 1996, at about 168,000 homes a year, would have been nearly 80,000 homes per annum short of what would have been needed. On that

¹ Department of the Environment, Transport and the Regions (DETR), ‘Projections of Households in England 2021’, October 1999: <http://webarchive.nationalarchives.gov.uk/20010821054429/http://www.housing.detr.gov.uk:80/research/project/03.htm>

² Office for National Statistics (ONS), ‘Families and households’, November 2017, Table 5:

<https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/families/datasets/familiesandhouseholdsfamiliesandhouseholds>

³ DETR, 1999, *op. cit.*

basis, England would currently be in the region of 1.6m homes short of what it needed to maintain the same homes to households ratio as in 1996.

Some argue, however, that this decline in household formation demonstrates that the country's housing needs have been very much smaller in the past two decades than has been widely thought and that perennial concerns about a housing shortage have been wide of the mark. Indeed actual household formation has been lower than the net increase in the housing stock in recent decades.⁴ Between 1996 and 2014 the number of homes in the UK increased by 3.543 million while the number of households increased by only 2.994 million – a surplus of homes over households of 540,000. In England, between 1996 and 2016 the stock of dwellings increased by 3.265 million and the number of households by 2.813 million – a surplus of 452,000.⁵

But taking that 'surplus' at face value would be to assume that there has been no constraint on household formation during this time. This is a possibility, but equally these changes have occurred during a period of significant upheaval in the housing market, as house prices have risen to unprecedented multiples of average earnings and owner-occupation has gone into decline for the first time since the advent of mass home-ownership. At the same time the social housing stock has continued to dwindle and, in the late 2000s, the fallout from the global financial crisis included painful falls in real incomes for many, as well as tightening of mortgage criteria which made it even more difficult for first-time buyers to purchase a home.

As the late government statistician Alan Holmans put it when considering this issue in 2013:

The central question for the household projection is whether what happened in 2001-11 was a structural break from a 40-year trend; or whether household formation was forced downwards by economic and housing market pressures that are likely to ease with time.⁶

This question took on an additional significance in 2018 when the government's official household growth projections were taken over by the Office for National Statistics (ONS), which changed the methodology. Whereas the projections had previously been based on long-run household growth patterns drawn from census data going back to 1971, the ONS adopted a new approach based on data from only the most recent two censuses in 2001 and 2011. Thus future household growth projections were now to be calculated using data only from the period following this shift in household formation. This, combined with revised population projections, resulted in a significant downgrade in projected household growth over the next 25 years, from 210,000 per annum under the previous methodology to 159,000 under the new ONS.⁷

This led to claims that England's housing needs were significantly lower than had previously been thought. However, that would only be the case if household formation had not been influenced by the housing situation during the period in question. Indeed the ONS, in its

⁴ Andrew Lilico, 'There is no UK "housing crisis" and there never was one', CapX, April 2015: <https://capx.co/there-is-no-uk-housing-crisis-and-there-never-was-one/>; Ian Mulheim, 'Fixing our broken housing crystal ball', Medium, January 2018: <https://medium.com/@ian.mulheim/fixing-our-broken-housing-crystal-ball-6d6405963e0>

⁵ Calculations based on household data from the Labour Force Survey published by the Office for National Statistics and dwelling stock data published by the Ministry of Housing, Communities and Local Government (Live Tables 101 and 104).

⁶ Alan Holmans, 2013, 'New estimates of housing demand and need in England, 2011 to 2031', Town and Country Planning Association, p.10: https://www.cchpr.landecon.cam.ac.uk/Downloads/HousingDemandNeed_TCPA2013.pdf

⁷ ONS, Household growth projection in England, 2016-based, September 2018: <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/bulletins/2016basedhouseholdprojectionsinengland/2016basedhouseholdprojectionsinengland>

accompanying analysis, pointed out that among the reasons why past projections had not been realised in practice could be ‘changes in the availability and affordability of suitable housing (for example, housing of the right size and type in the right location that is affordable to those wanting to live in it)’.⁸ The ONS later published a post stressing that it was wrong to conclude from the projections that the need for new homes had been overestimated, and emphasising the point that projections, by their very nature, are not predictions or forecasts:

...household projections are not a measure of how many houses would need to be built to meet housing demand; they show what would happen if past trends in actual household formation continue.⁹

The Ministry of Housing, Communities and Local Government (MHCLG) has subsequently decided to revert to the previous 2014-based projections as the demographic baseline for calculating housing need, in line with its target of building 300,000 homes a year by the mid-2020s.¹⁰ Meanwhile, the question remains as to what caused those changes in household formation between 2001 and 2011, and whether they are in fact likely to continue.

Explaining the changes in living arrangements among young adults

Past studies of household formation feature a wide range of views on the various factors that may influence it, some cultural, some environmental, some economic. Even a glancing review of the literature on household formation is a reminder why the UK projections methodology is so simplistic in nature; there are a vast number of perspectives one might take when explaining the numbers. Ann Berrington, Juliet Stone and Jane Falkingham have for instance explored the influence of unemployment among young adults (exacerbated by the post-2007 recession), changes in the roles of men and women and in normative expectations regarding the age at which partnership and family formation begin. They have also argued that the expansion in numbers of young adults entering higher education was delaying family formation, increasing the number of twenty-somethings returning to the family home and the number of young adults sharing with others.¹¹

A large number of sources also identify the relative price of housing relative to incomes as a factor. Andrew Paciorek provides an overview of studies in the US that have found the cost of housing together with young adults’ wages and parental income to be the most important factors driving household formation.¹² Curtis Simon and Robert Tamura also cite a body of work illustrating the impact of housing costs on living arrangements.¹³

On the specific changes that have been witnessed in the UK, there have also been a number of papers suggesting that the cost of housing has been a factor. Neil McDonald and

⁸ ONS, Household projections in England QMI, September 2018: <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/methodologies/householdprojectionsinenglandqmi>

⁹ Rich Pereira, ‘What our household projections really show’, ONS, October 19, 2018: <https://blog.ons.gov.uk/2018/10/19/what-our-household-projections-really-show/>

¹⁰ MHCLG, ‘Technical consultation on updates to national planning policy and guidance’, October 2018: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/751810/LHN_Consultation.pdf

¹¹ Juliet Stone, Ann Berrington, Jane Falkingham, ‘The changing determinants of UK young adults’ living arrangements’, *Demographic Research*, September 2011 <https://www.demographic-research.org/Volumes/Vol25/20/25-20.pdf>

¹² Andrew Paciorek, ‘The Long and Short of Household Formation’, *Real Estate Economics*, 2016

¹³ Simon Curtis and Robert Tamura, ‘Do high rents discourage fertility? Evidence from US cities 1940-2000’, 2009, *Regional Science and Urban Economics*

Peter Williams have suggested that changes in household formation patterns were likely to have been ‘forced’ rather than ‘free choices’, citing directly the cost of setting up a home.¹⁴ Ludi Simpson argued that the housing market and government policies on affordable housing ‘will affect household formation’.¹⁵ Neil McDonald and Christine Whitehead have also suggested that declining household formation rates among the 25-34s were at least partly due to worsening housing affordability, as well as labour market changes and student debt.¹⁶

In a recent paper for the UK Collaborative Centre for Housing Evidence (CaCHE), Geoff Meen describes changes in household formation – alongside the decline in first-time buyers – as ‘a form of market adjustment’:

This important point should be stressed; household formation is as much an outcome of the market as a driver. Official household projections are trend-based and take no explicit account of expected changes in affordability, but worsening affordability implies that the future number of households is likely to be below official projections. It follows that ex post differences between the number of homes and the number of households cannot be used as an indicator of excess supply or demand since the market will ensure the two are approximately equated.¹⁷

The international context

A look at the international picture reveals that while rising household sizes are not unique to the UK, they are unusual. The UK is one of only a handful of developed nations in which the average household size has not been falling over the past decade or so. Of the 24 countries for which the OECD has data that can be compared decade to decade, the large majority are continuing to see household sizes fall. Only the UK, Australia, New Zealand and Belgium saw household sizes rise between the mid-2000s and the mid-2010s, and in Canada they were broadly level between those two points.

Nor are UK household sizes especially small already by international standards. At 2.38 in 2015, the UK average was lower than the OECD average of 2.46, but not by much, and the OECD counts 20 developed economies that have smaller household sizes than the UK. These include many north European neighbours, including France (2.30), the Netherlands (2.2), Denmark (2.00), Germany (2.00), Norway (2.00) and Sweden (1.8).¹⁸ In all of these countries, the average household size appears still to be falling (Figure 2).¹⁹

¹⁴ Neil McDonald and Peter Williams, ‘Planning for housing in England: Understanding recent changes in household formation rates and their implications for planning for housing in England’, Royal Town Planning Institute, January 2014, p.10: http://www.rtpi.org.uk/media/819060/rtpi_research_report_-_planning_for_housing_in_england_-_january_2014.pdf

¹⁵ Ludi Simpson, ‘Whither household projections?’, *Town and Country Planning*, TCPA, December 2014, p.543: <https://www.research.manchester.ac.uk/portal/files/28743175/POST-PEER-REVIEW-PUBLISHERS.PDF>

¹⁶ Neil McDonald and Christine Whitehead, ‘New estimates of housing requirements in England, 2012 to 2037’, Town and Country Planning Association, November 2015

¹⁷ Geoffrey Meen, ‘Policy approaches for improving affordability’, UK Collaborative Centre for Housing Evidence, September 2018: <http://housingevidence.ac.uk/publications/policy-approaches-for-improving-affordability/>

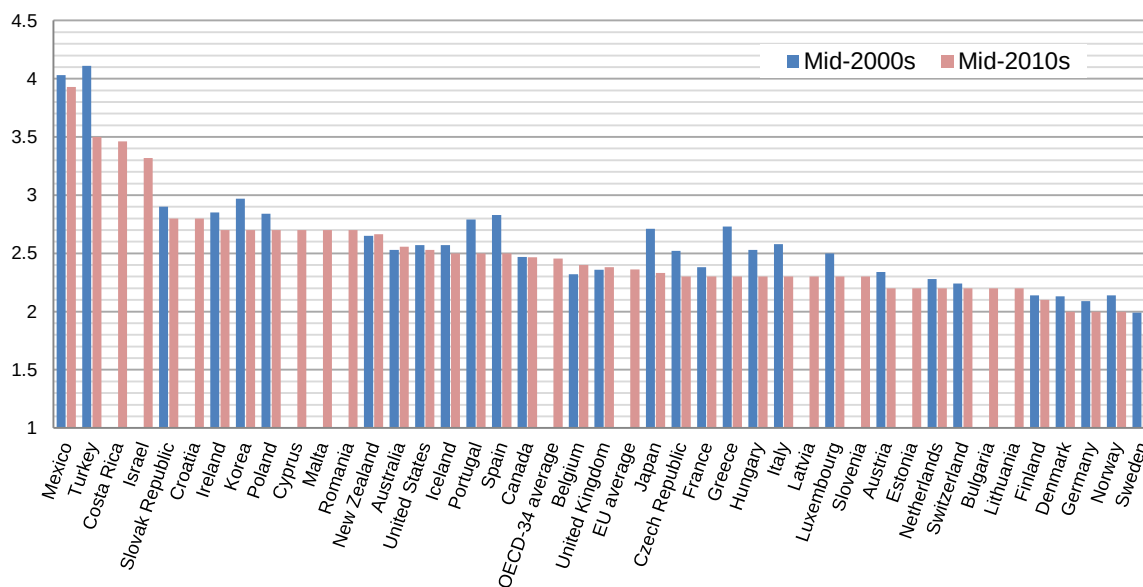
¹⁸ OECD, Family Database, Chart SF1.1.A: <http://www.oecd.org/els/family/database.htm>

¹⁹ It should be noted that there may be inconsistencies in the data collection methods used between the different countries. For instance, the extent of the increase in the UK’s average household size is over-estimated due to what appears to be a simple error in its data – it records the mid-2000s level as 2.12 whereas it was in fact around 2.36. It is also fair to note that there are many nations with larger household sizes than the UK, including Ireland, the US and Canada. Ireland has also seen a modest increase in the average household size since 2011 (from 2.73 to 2.75) which is not picked up in the OECD data: Central Statistics Office, ‘Households and families’, 2017: http://www.cso.ie/en/media/csoie/releasespublications/documents/population/2017/Chapter_4_Households_and_families.pdf

Separate analysis by Eurostat has also found that, at least as recently as 2016, the average size of households in the EU is continuing to shrink. For the EU28 the average that year was 2.3, but with northern countries tending to be lower than average – Denmark, Germany, Finland and Sweden being down to an average of two people per household.²⁰

Figure 2: Average household sizes (people per household), international.

Sources: OECD, ONS.



It is interesting to note that all of these countries also have significantly more homes per head of population than the UK. According to the OECD, while the UK had 436 dwellings per 1,000 inhabitants in 2015, France had 546, the Netherlands had 449, Denmark had 464, Germany had 510, Norway had 448 and Sweden had 476.²¹

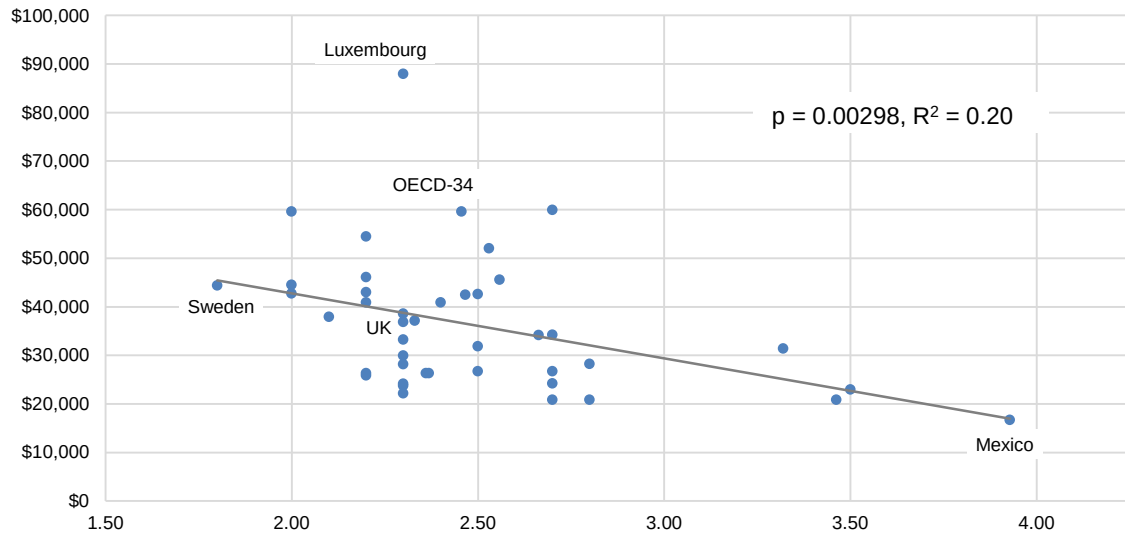
This does not prove that housing provision is a determining factor in these trends, but the international perspective does at least suggest that there is no reason to think the UK household size hit a lower bound below which it simply could not have fallen any further. Not only do many nations have considerably smaller household sizes than the UK, that are continuing to fall, several are around and even below the 2.19 level that the DETR in 1999 had projected for the UK by this point in time. Similarly, if the change of direction in the UK reflects a shift in lifestyle choices, then it is one that has so far been limited in extent to the UK and only a few other countries.

Generally, higher income countries tend towards smaller households (Figure 3). The outlier is Luxembourg – which is known to have high per capita GDP due to its approach to foreign direct investment – but the overall trend is visible, as well as being statistically significant when the outlier is excluded.

²⁰ Eurostat, 'People in the EU – statistics on household and family structures': http://ec.europa.eu/eurostat/statistics-explained/index.php?title=People_in_the_EU_-_statistics_on_household_and_family_structures

²¹ OECD, Affordable Housing Database, HM1.1 Housing stock and construction: <http://www.oecd.org/els/family/HM1-1-Housing-stock-and-construction.pdf>

Figure 3 : Per capita GDP and average household size in the OECD, 2015.
Source: OECD



Similarly, if we analyse the change in per capita GDP and household size over time for different countries in the OECD it shows that changes in both are correlated (Figure 4). The relationship is relatively clear; the larger the increase in per capita GDP the smaller average household sizes becomes. Given that the UK's GDP per capita has continued to grow over the past 20 years, albeit with a temporary but significant decline following the financial crisis (Figure 5), we need to look elsewhere for reasons as to the growth in household sizes.

Figure 4: Per capita GDP and household size; change from mid-2000s to mid-2010s. Source: OECD

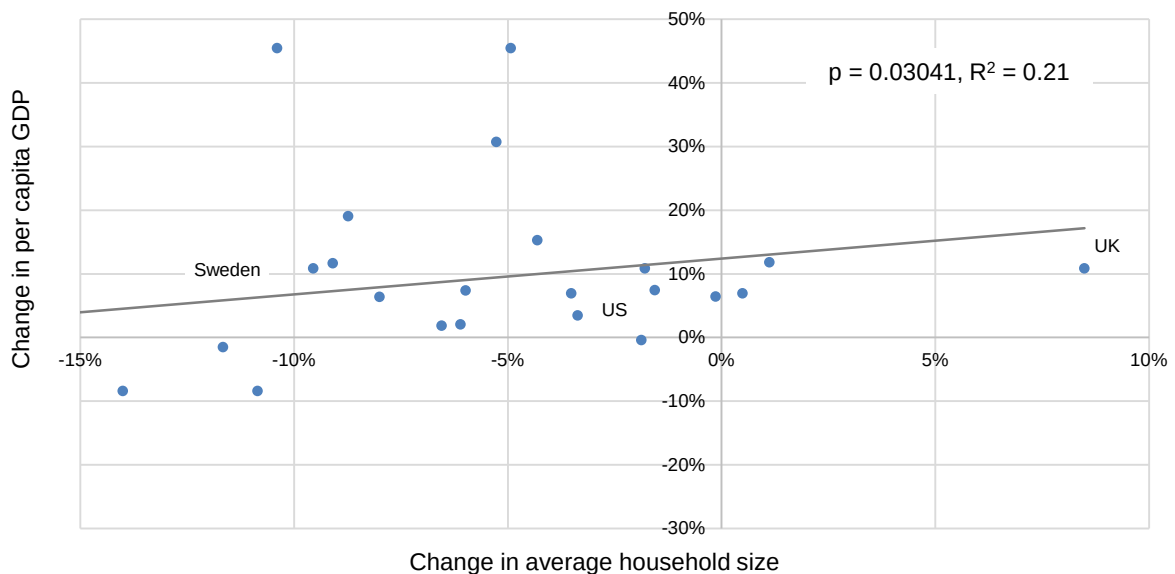
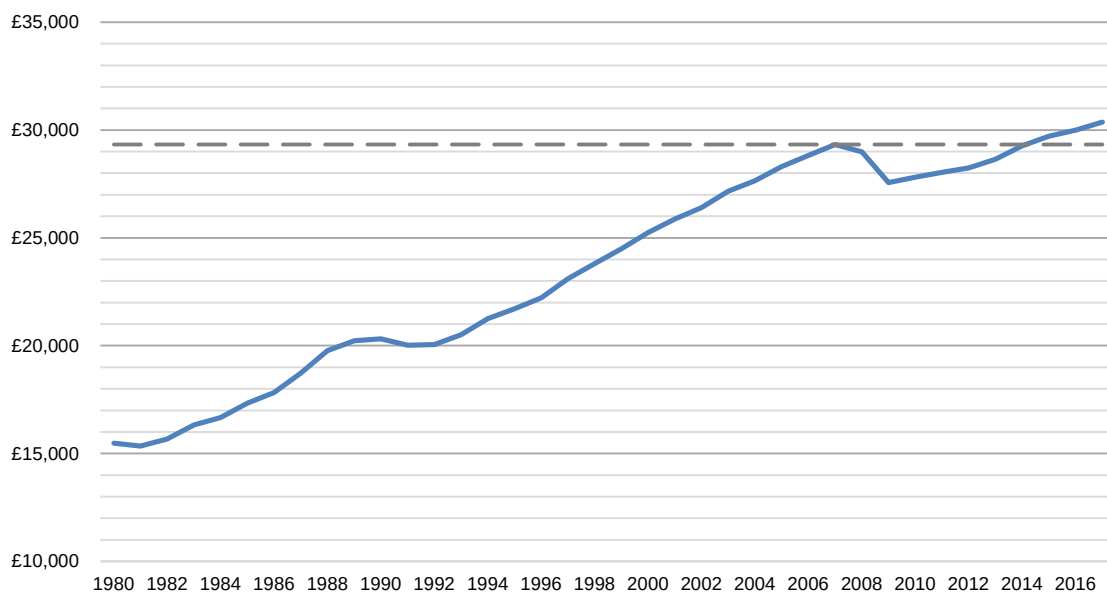


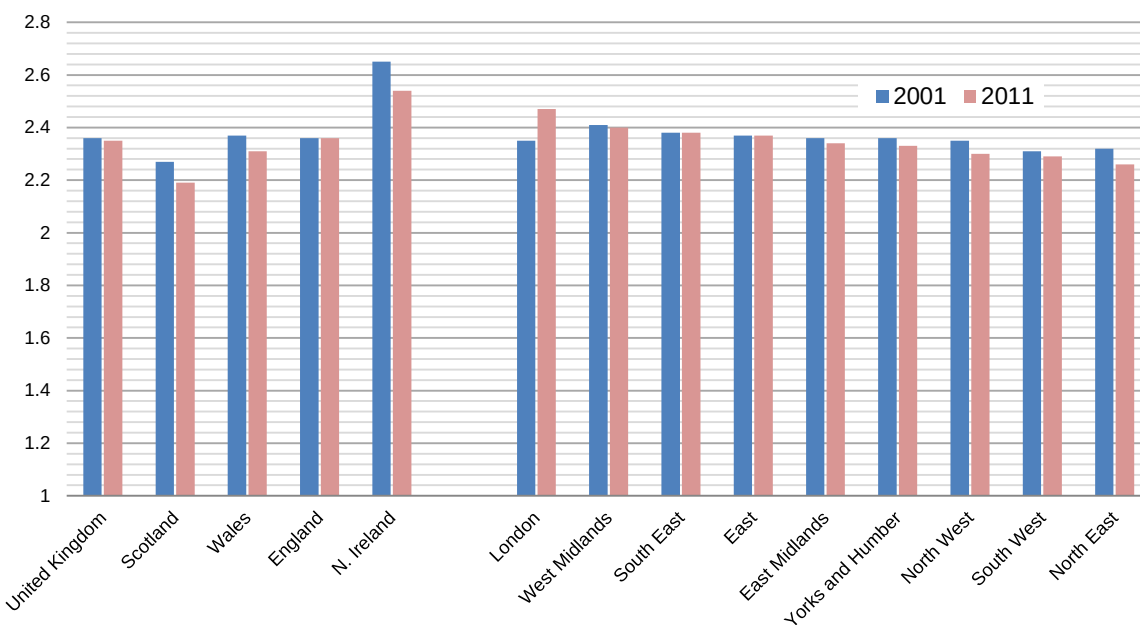
Figure 5: Per capita GDP, UK, 1980-2017 (and pre-GFC peak). Source: ONS



UK regional differences

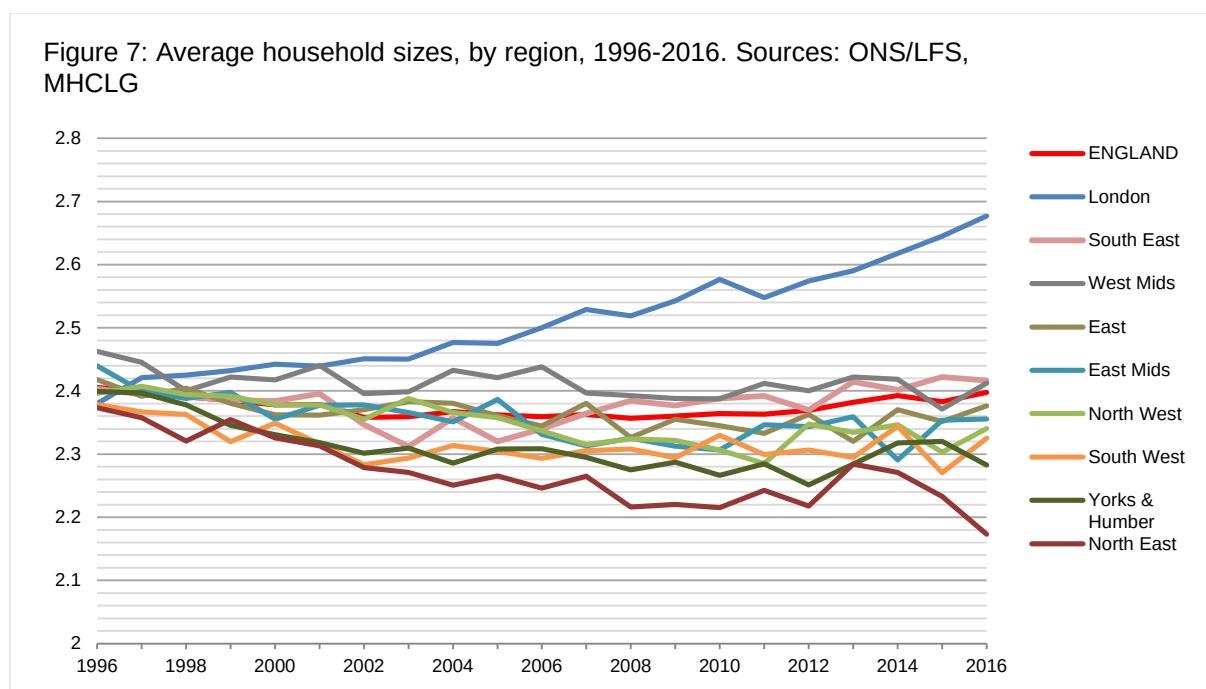
The regional picture within the UK is varied. While average household sizes are not rising in more than a handful of developed nations, nor are they rising in most of the UK. Census data shows that, of the constituent nations of the UK, between 2001 and 2011 only in England did the household formation rate stop rising, with an average household size of 2.36 in both 2001 and 2011. In Wales, Scotland and Northern Ireland average household sizes continued to fall by significant amounts. In Scotland's case this was from a level that was already lower than England's in 2001 to just 2.19 in 2011 (Figure 6).

Figure 6: Average household sizes, regional, 2001 and 2011. Source: Census



Within England, too, most regions as a whole continued to see a fall in the average household size between 2001 and 2011. The obvious outlier was London, where there was a significant increase in the average household size from a level (2.35) that was not especially low by international standards to 2.47 – a five per cent increase in 10 years. In the South East and the East of England average household sizes remained level; everywhere else they fell. In all of the UK, then, only in the Greater South East – taking London, the South East and the East of England as a single geographical region – did the average household size rise between 2001 and 2011.

Using Labour Force Survey (LFS) data for household numbers combined with MCHLG's household population estimates, it is possible to construct a series for the changes in average household size by English region for the two decades from 1996 to 2016 (Figure 7). This is subject to a greater degree of error than the census data but is nevertheless useful in providing a broad overview of the changes that have taken place.²²



This suggests that average household sizes in London have risen throughout the period since 1996, while in most of the rest of England they have fallen or remained broadly level. On this data, the average household size in London was 2.68 in 2016 (up from 2.38 in 1996), compared with 2.40 in England as a whole (down marginally from 2.41). The South East has also experienced a notable rise since 2003, when the average household size bottomed out at 2.31, to 2.42 in 2016. What is also apparent from this data is how London's household sizes have been on a different trajectory to those of the rest of the country since at least 1996.

The size of the average household in the North-East in recent years (as well as that in Scotland in the 2011 census) suggests again that there was nothing implausible about the

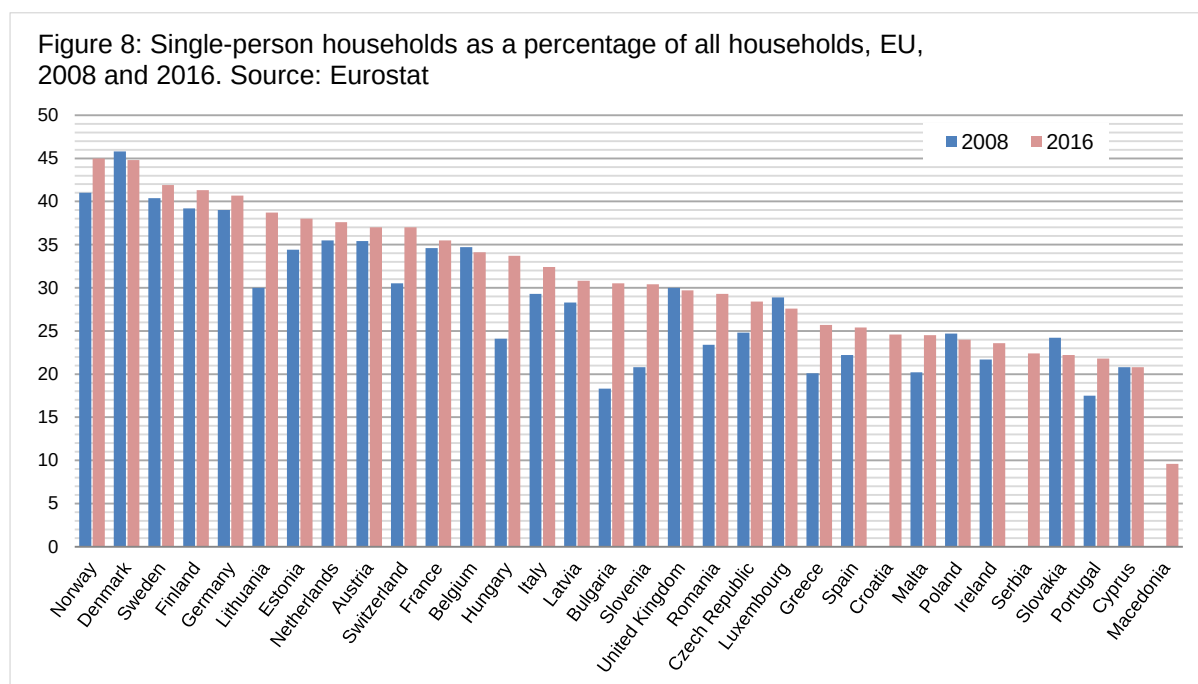
²² There are various discrepancies between the census data and the LFS/MCHLG data. For instance, the average household size for England in 2001 was 2.6 according to the census, but 2.8 according to the LFS/MCHLG. There are similar differences in the regional numbers. In all regions, however, the broad direction of travel corresponds between the two datasets. As to the precise accuracy of the LFS data after 2011 we are unlikely to know for sure until the 2021 census.

projections for household growth that were being made at the beginning of the 2000s based on trends up until that time, or that household sizes simply will not fall below, say, 2.2.

So the levelling off of the UK average household size from the 2000s did not reflect an international norm, and it was not even a UK-wide norm. It was the outcome of certain regions of the UK turning a corner sometime around the turn of the 21st century, but led by London from at least as far back as in the mid-1990s.

Single-person households

Holmans showed in his 2013 paper that the underlying shift that led the average household size to stop shrinking was a slowdown in the growth of single-person households proportionate to the population. He calculated that about 1 million single-person households were missing in 2011 compared with long-term trends, as well as about 100,000 lone-parent households. On the other side of the ledger the number of couple households was above trend (by about 470,000), as was the number of couples that had another adult living with them (by about 600,000) and the number of multi-person households, in which people who are unrelated and not in a relationship are living together (by about 330,000).²³ Simply, many fewer people were living alone than previous trends had indicated would be the case. The net result was that there were 375,000 fewer households in 2011 than might have been expected given trends up to 2001.



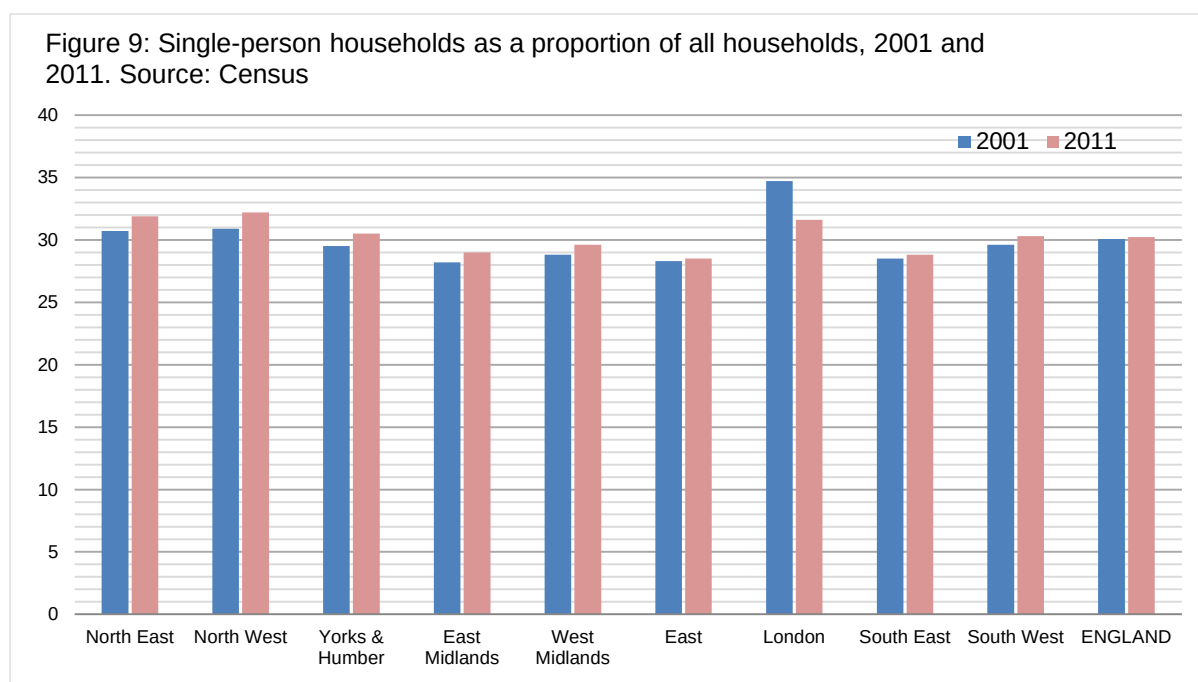
After a steep increase during the 1990s, the number of single-person households in England flatlined as a proportion of all households between 2001 and 2011, at just above 30 per cent. This was, once more, in stark contrast to elsewhere in the EU where, as we have seen, household sizes have mostly continued to shrink. In almost every other EU nation apart from

²³ Holmans, 2013, *op. cit.*, Table S1

the UK there has been significant growth in single-person households, and to much higher levels than in the UK (Figure 8).²⁴ As Eurostat notes:

One of the main driving forces behind the fall in the average size of households [across the EU] has been an increase in the proportion of people living alone, which may be linked to a wide range of factors, including a reduction in the longevity of relationships (including higher divorce rates).²⁵

As with average household sizes, there is within the UK much regional variation in single-person households. In most regions of England the proportion of single-person households did in fact continue to increase between 2001 and 2011. This was especially notable in the north, while the opposite was the case in London, where they fell (Figure 9). In the South East and East, single-person households grew but only very slowly.



On the flip-side of this decline in the proportion of single-person households has been a large increase in multi-family households, in which two or more family units are living together.²⁶ Between 1996 and 2017 the number of multi-family households in the UK rose from 167,000 to 306,000, an increase of 139,000 (or 83 per cent). The number of people living in such households rose from 897,000 to 1.6m over the same period.²⁷ In addition, there has also been an increase in the number of households consisting of two or more unrelated adults, from 734,000 in 1996 to 849,000 in 2017. While this is an increase of only about 111,000 (or 15 per cent, about in line with total household growth over this period), the number of people living in shared homes like this has increased more steeply. In 2017 there

²⁴ Eurostat, 'Average change in the number of single-adult households, 2006-2016': [http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Annual_average_change_in_the_number_of_single-adult_households,_2006-2016_\(%25\)_PITEU17.png](http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Annual_average_change_in_the_number_of_single-adult_households,_2006-2016_(%25)_PITEU17.png)

²⁵ Eurostat, 'People in the EU', *op. cit.*

²⁶ According to the following definitions: 'A family is a married, civil partnered or cohabiting couple with or without children, or a lone parent with at least one child. ... Multi-family households contain at least two families. The families may be related, for example a couple with their daughter and her child, or two brothers and their wives.'

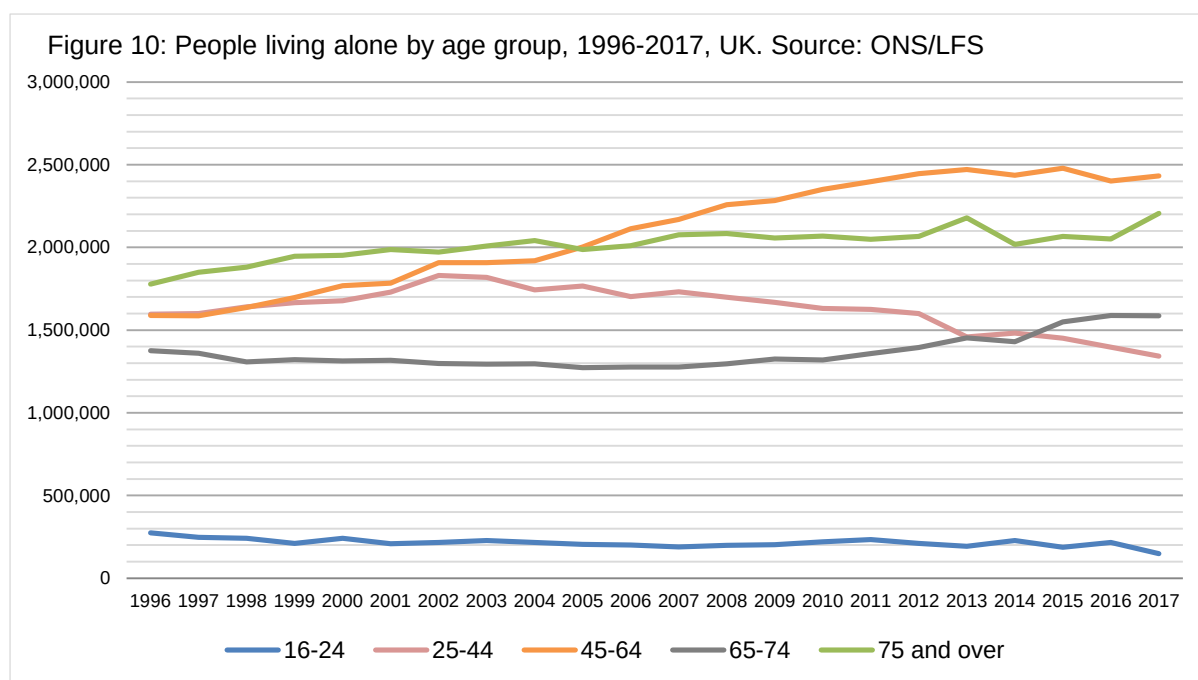
²⁷ ONS, 'Families and households', November 2017, Tables 7 and 8:

<https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/families/datasets/familiesandhouseholds/familiesandhouseholds>

were 2.3m people living in these households, 460,000 more than in 1996 (a 25 per cent increase, about twice the rate of household population growth).²⁸

Young adults

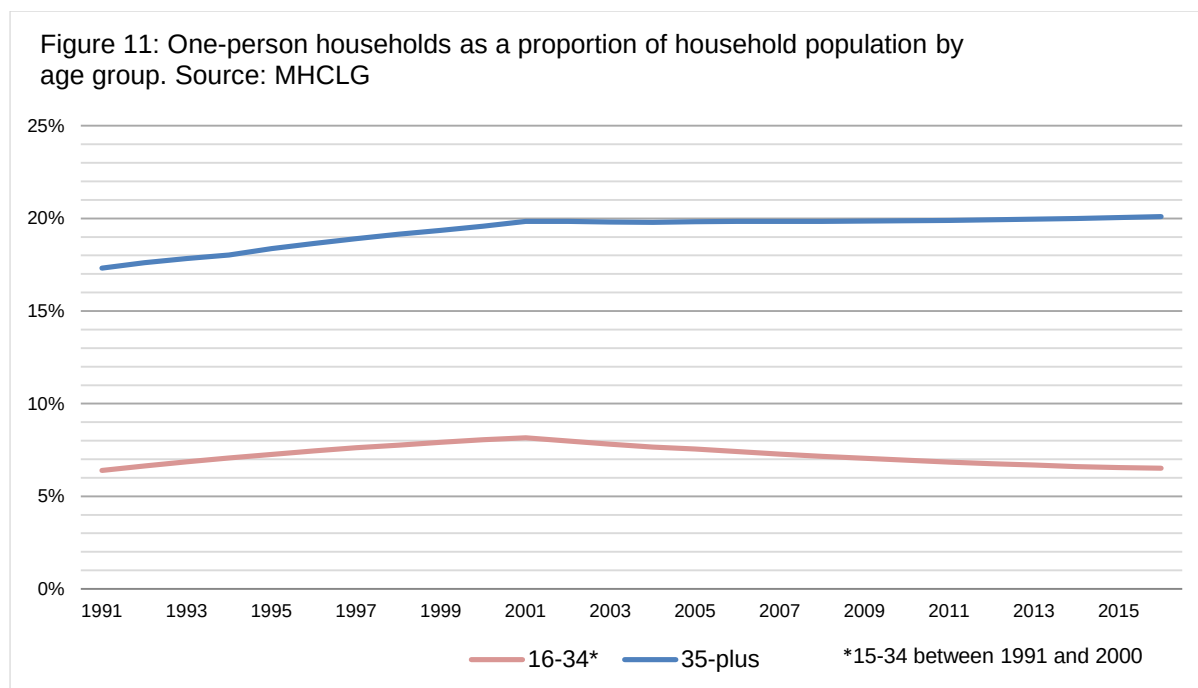
The change in single-person households has not just varied regionally, it has also varied by age group. As has been noted in a number of studies, the decline in single-person household formation has been most pronounced among younger age groups.²⁹ Labour Force Survey (LFS) data shows that in 2002 there were 2.05m under-45s living alone; by 2017 this had fallen to 1.49m – a decline of 506,000, or about a quarter. Most of this shift has taken place among the 25-44s (from 1.83m to 1.34m) and the 16-24s (from 274,000 to 148,000). By contrast, the number of over-45s living alone has been rising strongly for at least the past two decades, from 4.7m in 1996 to 6.2m in 2017 (Figure 10). The decline of single-person households in the UK, at variance with most of the rest of Europe, is therefore being driven by young adults alone.



The government's household projections data also sheds light on the difference between the generations in this respect. The growth in single-person households per capita slowed across all age groups between the 1990s and the 2000s (Figure 11). But while among the over-35s the proportion of single-person households nevertheless continued to rise, among the under-35s it has gone into decline.

²⁸ ONS, 'Families and households', *op. cit.*, Tables 7 and 8.

²⁹ Holmans, *op. cit.*; McDonald and Peter Williams, *op. cit.*, p.7; McDonald and Whitehead, 2015, *op. cit.*



Compositional change

When Holmans analysed the unexpected shift in household formation rates between the 2001 and 2011 censuses, he attributed just over half of the effect to the increase in migration during that decade.³⁰ Immigration to the UK rose from about 300,000 a year in the 1990s to in the region of 600,000 a year for most of the 2000s.³¹ The effect of this was that most of the 3.8m net increase in the household population between 2001 and 2011 came from immigration, with the number of non-UK born rising by 2.8m. This is significant because, as Holmans observed, migrants tend to live in larger households, which means that changing growth patterns may to some extent reflect compositional change among UK households:

Immigrants from outside the UK have lower household formation rates, age for age, than the population as a whole in the first decade after they arrive. An increase in the number of immigrants, and hence an increase in their proportion of the population, will reduce overall household formation rates compared with what would have happened if immigration levels had remained unchanged.³²

Of the 375,000 'missing' households (noted above), Holmans attributed 200,000 to migration.³³ The rest, 175,000, he put down to 'the economy and the state of the housing market'. In England in 2011, the average size of a household with a (non-UK) EU-born household reference person (HRP – a variant on what used to be called a head of household) was 2.44. Among households with a non-EU-born HRP it was 2.92. UK-born

³⁰ Holmans, *op cit*, p.10.

³¹ Oliver Hawkins, 'Migration Statistics', House of Commons Library, February 2018: <http://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN06077>

³² Holmans, *op. cit.*

³³ This was contested by Ludi Simpson who said that it was contradicted to an extent by Holmans' own evidence, showing that the lower household formation rate was mostly true only for immigrants who had moved to the country within the past year. Simpson argued that 'very little of the decrease in household formation can be laid at the door of a temporary increase in immigration during the 2000s'. Simpson, *op.cit.*

households, by contrast, had an average size of 2.29.³⁴ It would appear then that migrant household sizes serve to inflate the average across all households.

The effect of this is most striking in London, where household sizes are the biggest in the country, and where 36.6 per cent of the household population was non-UK born in 2011 (compared with 13.7 per cent for England). Ian Mulheirn of Oxford Economics has illustrated how much of the dramatic increase in average household sizes in London over the past two decades has occurred among non-UK households. While the average size across all households has increased from about 2.4 to about 2.7 between 1997 and 2017, among the UK-born the increase has been notably more modest, from 2.28 to 2.37.³⁵

That much of the increase in household sizes seems to be driven by an increase in migrant households does not in itself explain why this is happening, however. It might be argued that migrants prefer to share accommodation in order to save more money, but such motivations must themselves be due in part to the cost, choice and availability of accommodation in London or elsewhere. It is worth considering the extent to which the average migrant household size might in fact be due to their geographical location. In other words, are migrants raising the average household size in London or is London raising the average household size among migrants?

It is informative to consider this assumption further; if we weight London households according to the proportion of migrant HRPs and apply their respective average *national* household sizes, the result (2.50) is a smaller household size than London actually had (2.55). There is a similar discrepancy in the South East, where the average household size is 2.39, larger than the 2.35 that the proportion of migrant HRPs would suggest it might be. In the North East by contrast, we could expect an average household size of 2.31 given the number of non-UK-born HRPs – but in fact it was only 2.24 (Figure 12).

In other words, households in London and the South East are larger than we would expect given their migrant populations, while households in the North East are smaller than we would expect given that region's migrant population. While we would expect actual and hypothetical household size to vary, it is notable that this variation aligns with differences in housing costs between the regions (explored further below), suggesting migrants are also constrained by the cost of housing.

³⁴ ONS, 'International migration and the changing nature of housing in England', May 2017, Table 8: <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/datasets/internationalmigrationandthechangingnatureofhousinginengland>

³⁵ Ian Mulheirn, 'Why is household size growing?', Medium: <https://medium.com/@ian.mulheirn/why-is-household-size-growing-c662cae5a69b>

Figure 12: Household sizes by region, 2011, actual versus hypothetical based on migrant populations, and average house prices April 2011. Calculations based on ONS & HMLR data



Returning to the international context, and the fact that most developed nations are continuing to see average household sizes fall, it is worth noting that they all experience immigration too. Nor is there anything special about the amount of immigration the UK experiences if we compare it to that in those countries where household sizes are already smaller and continuing to fall. Eurostat figures show that 14.1 per cent of the UK population was foreign-born in January 2017, compared with 12.2 per cent in France, 12.5 per cent in the Netherlands, 11.6 per cent in Denmark, 14.7 per cent in Germany, 15.2 per cent in Norway and 17.8 per cent in Sweden.³⁶

Even if the average household size is being driven up in large part because of an increase in migration, it is not clear why this should be so to the extent that it is. In other nations, similar levels of migration have not resulted in the same effect on the national average household size. It should also be noted that average household sizes have increased *among migrants* in recent years, quite significantly among the EU-born from 2.44 to 2.61 between 2011 and 2015 (Figure 13).³⁷

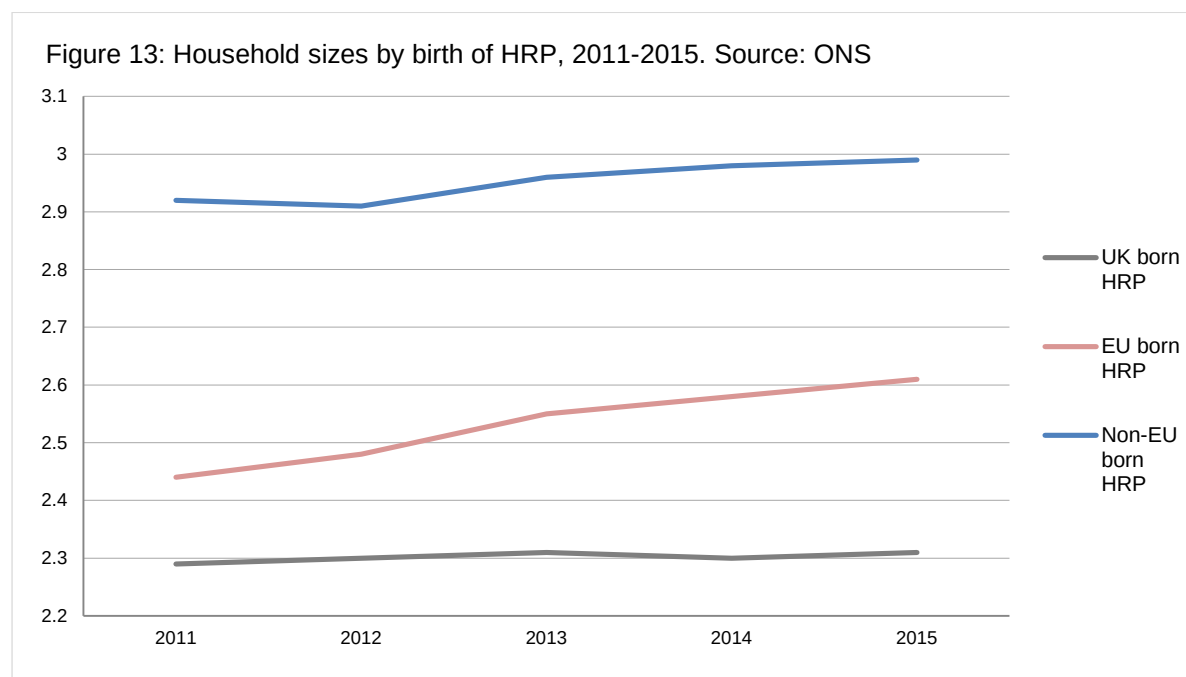
In any case, compositional changes cannot explain the household formation patterns that have occurred among most of the population. Average household sizes have stopped shrinking even among the UK-born, levelling out at around the 2.3 mark since at least 2011; the ONS puts the figure at 2.31 for England in 2015. This is lower than the national average of 2.38. But it is higher than the average levels – including migrant households – in those countries cited already, where household sizes are continuing to fall and where migrant populations are comparable with the UK's (to recall: France (2.30), the Netherlands (2.2), Denmark (2.00), Germany (2.00), Norway (2.00) and Sweden (1.8)). It is also higher than

³⁶ Eurostat, 'Foreign-born population by country of birth, 1 January 2017': https://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:Foreign-born_population_by_country_of_birth,_1_January_2017_.png

³⁷ ONS, 'International migration and the changing nature of housing in England – what does the available evidence show?', ONS, May 2017:

<https://www.ons.gov.uk/releases/internationalmigrationandthechangingnatureofhousinginenglandwhatdoestheavailableevidenceshow>

what the DETR was projecting in the late 1990s based on long-term trends (2.24 in 2011, falling to 2.15 in 2021).



The UK-born household size is, once more, the subject of significant regional variation. As noted already, Mulheirn calculates that in London, UK-born household sizes have risen from 2.28 to 2.37 between 1997 and 2017.³⁸ This is less dramatic than the increase in the average size of all London households, as we have seen, but it is no less remarkable for that. Quite why average household sizes among the UK-born levelled out at the national level, and began to rise in certain parts of the country (this implying that they continued to fall in others) requires an explanation.

Living with parents

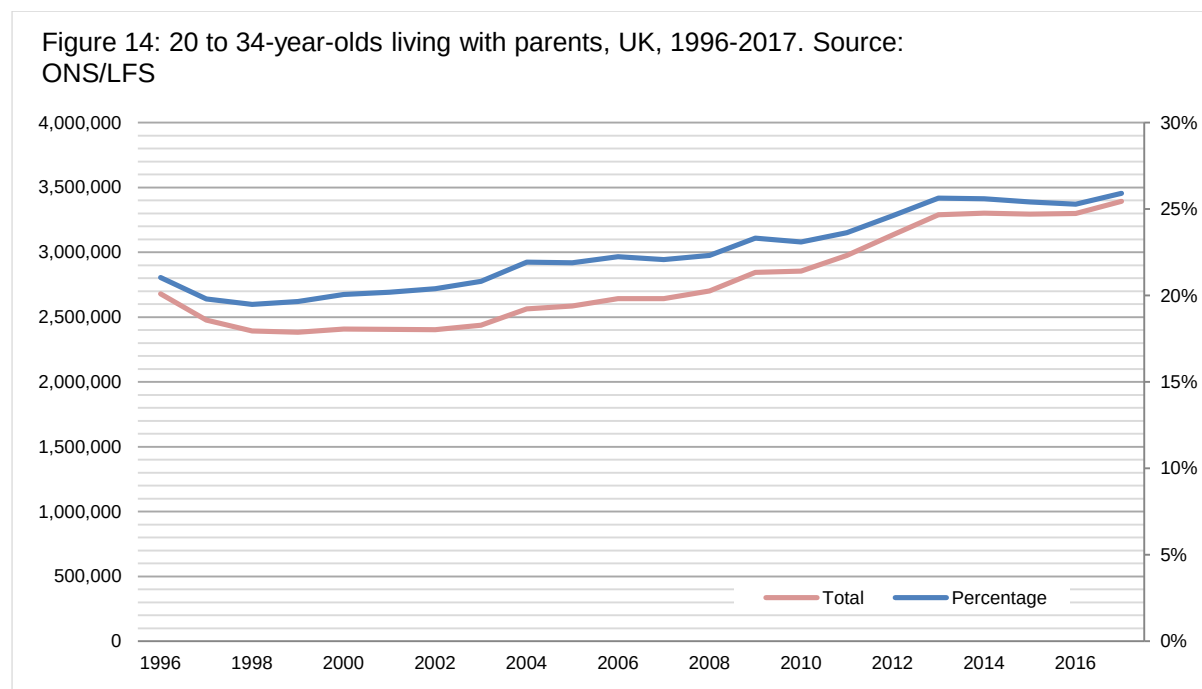
A significant factor in the fall in the proportion of single-person households among younger age groups has been an increase in the number of young adults living with their parents since the early 2000s. While a large proportion of migrants will fall into this age bracket, it is highly unlikely that this is a trend among migrants rather than the UK-born. On the contrary: research shows that (as might be expected) young adult migrants are much less likely than the UK-born to be living with their parents. This means that, when considering the *proportion* of this age group living with their parents, the increased number of young migrants may in fact be masking the extent of the trend for living with parents among UK-born young adults.³⁹

LFS data shows that between 2003 and 2017 the number of 20 to 34-year-olds living with their parents increased by about 1m, from 2.4m to 3.4m (Figure 14). Taking population growth into account, the proportion of this age category living with their parents has

³⁸ Ian Mulheirn, 'Why is household size growing?', Medium: <https://medium.com/@ian.mulheirn/why-is-household-size-growing-c662cae5a69b>

³⁹ Stone et al, 2011, *op. cit.*

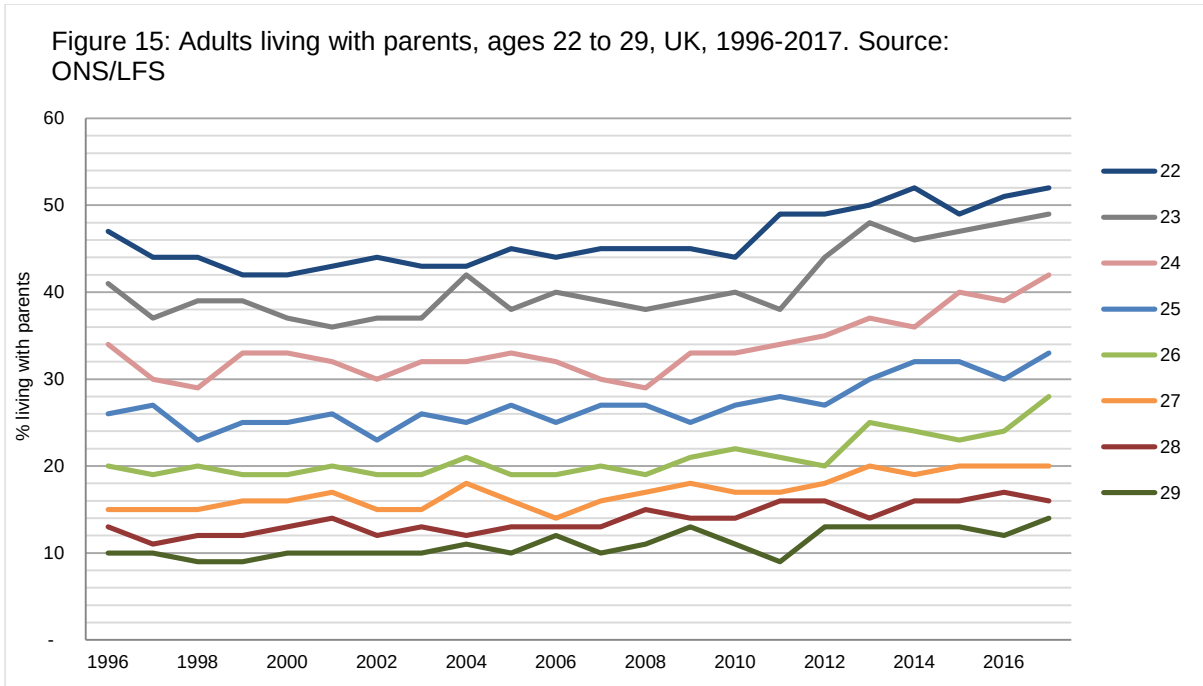
increased from 19 per cent in the late 1990s to 26 per cent today.⁴⁰ If the same proportion of 20-34-year olds were living with their parents in 2017 as in 1998, an additional 904,000 young people would have moved out by now.



Most of this change occurred among those aged between 22 and 29. The steepest increase by age was among 23-year-olds: those living with their parents rose from 37 per cent to 49 per cent between 2003 and 2017 (Figure 15). Meen argues that this is an example of household formation as an outcome of the housing market. 'The young are squeezed out and have to remain with their parents for longer.'⁴¹

⁴⁰ ONS, 'Young adults living with their parents', November 2017: <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/families/datasets/youngadultslivingwiththeirparents>

⁴¹ Geoffrey Meen, 'Policy approaches for improving affordability', UK Collaborative Centre for Housing Evidence, September 2018: <http://housingevidence.ac.uk/publications/policy-approaches-for-improving-affordability/>



This appears to be borne out by the regional variation in this trend. The ONS has published regional-level data for under-35s living with their parents between 1996 and 2015, although the numbers are collected into three-yearly averages. This shows a similar pattern, with a UK-wide increase in the number of 20-34-year-olds living with their parents of 791,600. This is much more apparent in London and the South than in the rest of the country (Figure 16; Table 1). Compared with an increase of 24 per cent in the proportion of 20-34-year-olds living with their parents across all of England, in London there was a 41.3 per cent increase, in the South East a 37.1 per cent increase and in the East a 33 per cent increase. In the North East, by contrast, it was only 17.4 per cent and in Yorkshire and the Humber just 13.7 per cent.

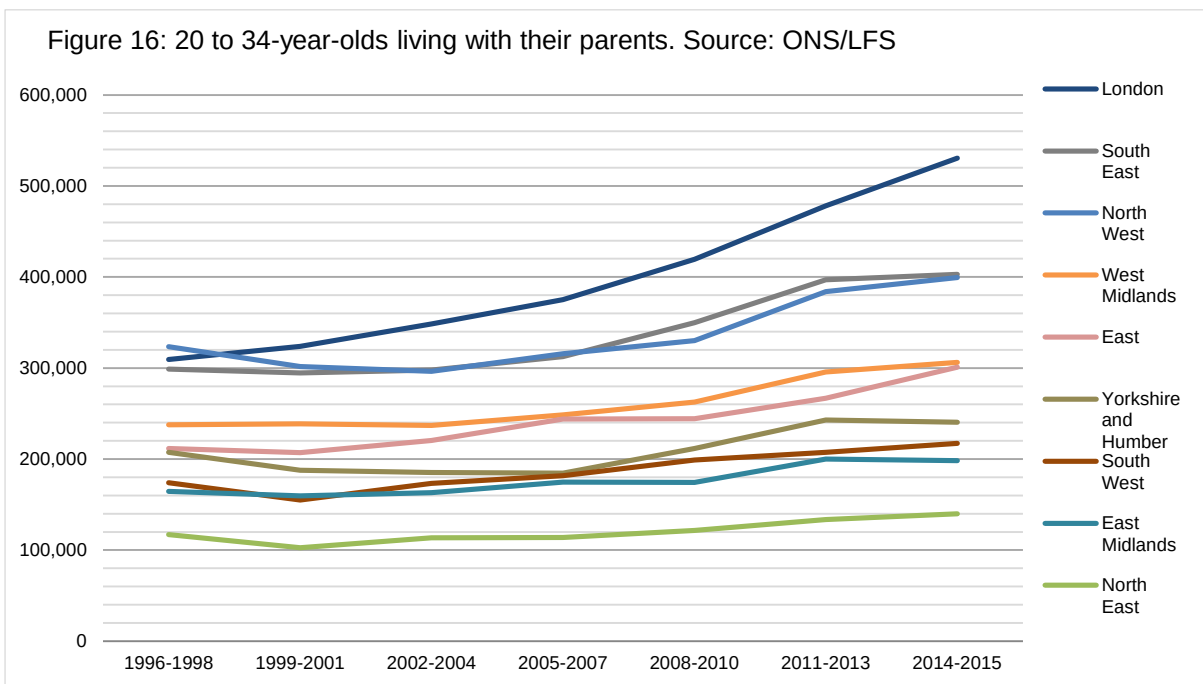


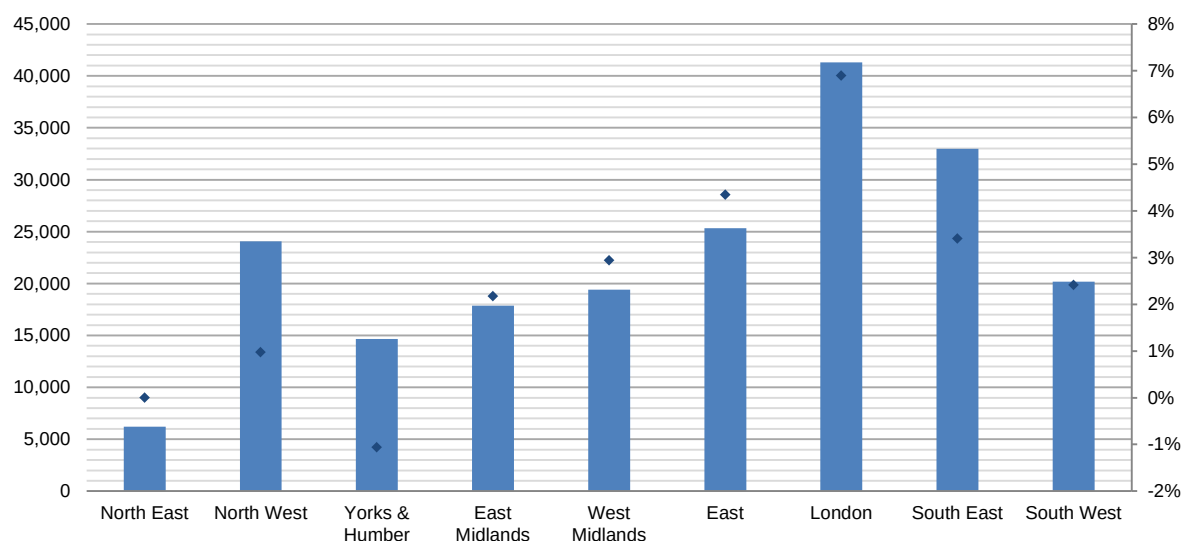
Table 1: Change in 20-34-year-olds living with their parents, 1996/98-2014/15. Source: ONS

	1996/98		2014/15		Change 1996/98 - 2014/15
	20-34s living with parents	% of all 20-34s	20-34s living with parents	% of all 20-34s	
North East	117,100	21.96%	139,800	25.78%	17.40%
North West	323,400	22.76%	399,500	27.62%	21.36%
Yorks & Humber	207,600	19.16%	240,400	21.78%	13.65%
East Midlands	164,600	18.69%	198,300	22.68%	21.33%
West Midlands	237,500	21.33%	306,400	28.11%	31.82%
East	211,500	19.71%	300,800	26.99%	36.90%
London	309,400	16.77%	530,600	23.69%	41.25%
South East	299,000	18.63%	402,900	25.54%	37.06%
South West	173,900	18.19%	217,100	22.29%	22.56%
England	2,044,000	21.20%	2,735,800	26.29%	24.05%

A similar pattern can also be seen in the census data for households with non-dependent (i.e., adult) children. These increased by only 2.51 per cent between 2001 and 2011 (from 9.3 per cent to 9.6 per cent of all households) but the regional variation is very strong. In London there was an increase of 6.95 per cent (from 8.7 to 9.3 per cent), in the East of England 3.45 per cent and in the South East 2.98 per cent. But in the North East it was -0.5 per cent and in Yorkshire and the Humber -0.1 per cent (that is, proportionately fewer young adults lived with their parents at the end of the period).

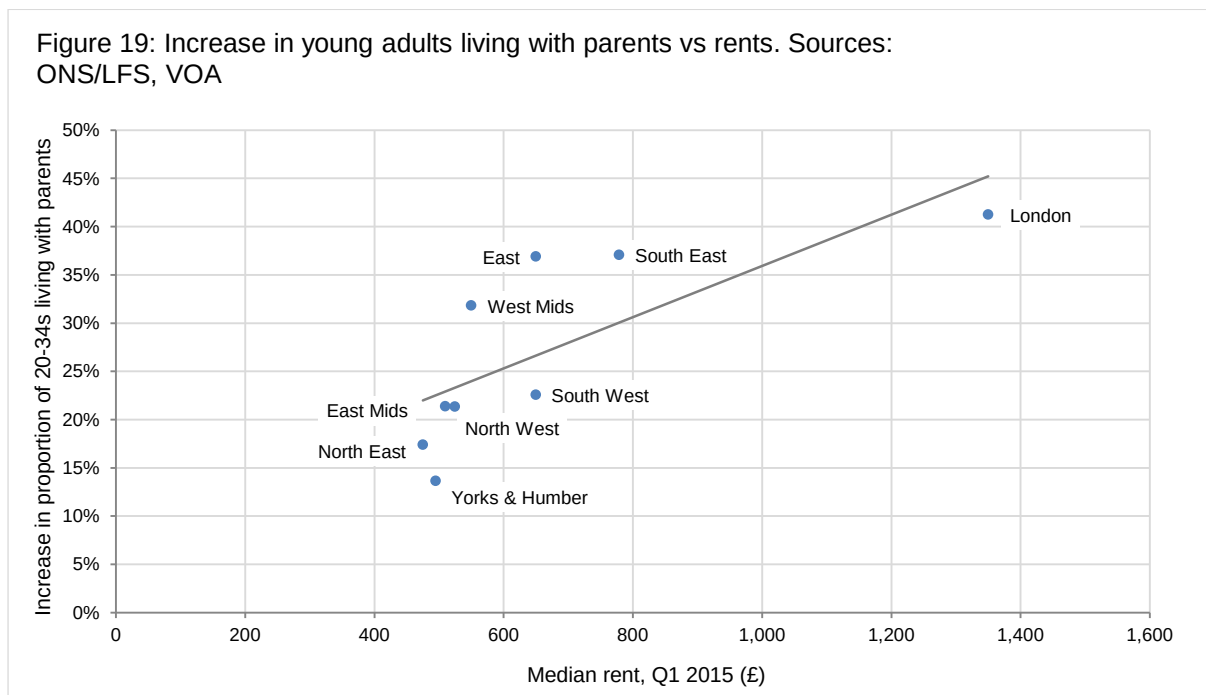
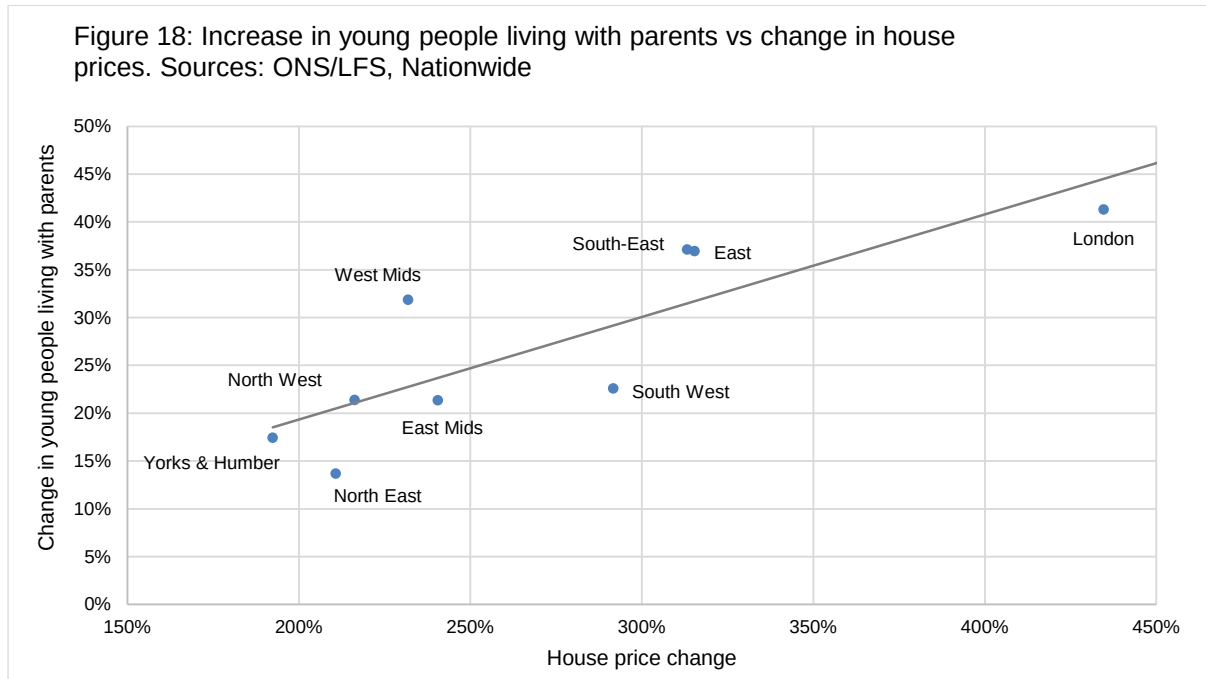
Figure 17: Increase in households with non-dependent children (nominal and percentage increase in proportion of all households), England, 2001-2011.

Source: Census



These patterns correlate unmistakably with relative housing costs, whether average house prices or average rents. Figures 18 and 19 plot the increases in adults living with parents

against a simple measure of house prices and rents, respectively, towards the end of the period in 2015.

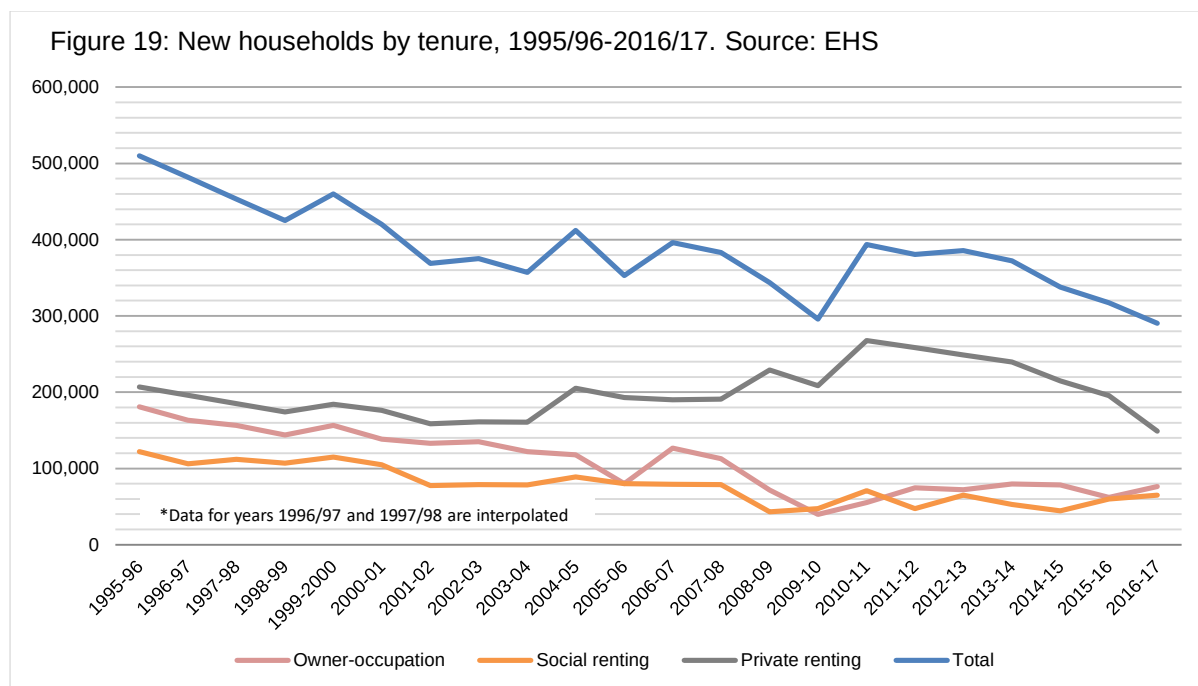


The correlation between housing costs and young adults living with parents is not a perfect fit – there are undoubtedly other influences that affect household formation among young adults – but there is a clear pattern to the regional variation. The extent to which it corresponds with the cost of either renting or buying a home is strongly suggestive of a relationship between housing pressures and household formation.

Tenure changes

It is worth noting, finally, the decline in the number of new households formed annually over the past two decades – even while the population has been growing – and the distribution of those households between the different tenures. In the mid-1990s, there were in the region of half a million new households formed each year; by 2016/17 that had declined to in the region of 300,000 (Figure 19).⁴²

Much of this fall came in the owner-occupied sector (from 181,000 in 1995/96 to 76,000 in 2015/16), and in the social rented sector (from 122,000 to 65,000). This may not be surprising given the barriers to home ownership owing to rising prices, as well as the decline in the availability of social homes. What is notable, however, is that there has not been a compensating increase in new household formation into the private rented sector, where the proportion of England's housing stock increased from 10.1 per cent in 1996 to 20.3 per cent in 2016/17.⁴³ There was a short-lived surge of households forming into private renting in the years following the financial crisis, but in recent years numbers have been little different to those 20 years ago. In fact, in 2016/17 they hit a new low of 148,919, compared with 207,000 in 1995/96.



This raises the prospect that, as access to owner-occupation and the social rented sector has increasingly become blocked off to newly-forming households, a significant proportion have delayed forming a household altogether. That is to say, as people's tenure options have become increasingly limited to the private rented sector, many have decided to live for longer in shared accommodation, including with their parents, instead – perhaps until they have found a partner with whom to share the burden of housing costs, and perhaps beyond

⁴² English Housing Survey data and DCLG, 'Fifteen years of the Survey of English Housing: 1993-94 to 2007-09', September 2009:

<http://webarchive.nationalarchives.gov.uk/20120919150321/http://www.communities.gov.uk/documents/statistics/pdf/1346239.pdf>

⁴³ English Housing Survey data

even that. Such an approach would save on rent and assist with building a deposit in order eventually to buy.

Conclusion

To return to the question posed at the beginning, has the shift in household formation rates been the result of unconstrained lifestyle choices, or has it been a response to economic pressures and the state of the housing market? The data explored above suggests there is something of both. The increase in migrants and migrant households appears to have served to increase the average household size irrespective of any changes in household formation behaviour among the UK-born. This implies that at least part of the change in household formation rates is due to compositional changes in the population which would not have been anticipated in projections two decades ago. It should be noted, however, that while migrants have tended to live in larger households, it is not clear the extent to which new arrivals have done so due to choice or due to housing costs. Further analysis of this area would be welcome.

It is evident that, compositional changes aside, there has also been a significant shift in household formation patterns among the UK-born. The average household size among this group, after many decades of decline, has settled at around 2.3 in recent years. This is not as low as in various other European nations where household sizes have continued to fall. It is the result, above all, of a decline in the formation of single-person households among the under-35s, which is also at odds with trends in neighbouring European nations. Many of the individuals that might otherwise have been expected to form single-person households will now be sharing with others; the rest will be living with their parents. This last has been the other marked shift that helps explain changes in household formation among younger adults: in the region of 900,000 additional under-35s are living with their parents compared with two decades ago.

These patterns have varied markedly by region, and it is this that strongly suggests that there is more to the shift in household formation rates than lifestyle choices alone. The proportion of 20-34-year-olds living with their parents increased most in London, where housing is most expensive (by 41 per cent between 1996/8 and 2014/15). It increased least where housing is the least expensive, in the North-East (by 17 per cent) and Yorkshire and the Humber (by 14 per cent). It is implausible to think that these patterns are not related, in some way, to pressures in the housing market that could be remedied in time.

This is important because it underlines the need for caution in the use of existing household numbers – and of projected household numbers based on past trends – as the demographic baseline for housing need. The ‘household’ is a term that conjures images of a family; however, at its core it is a description of housing circumstances rather than an attempt to capture housing preferences or unconstrained choices:

one person living alone, or a group of people (not necessarily related) living at the same address who share cooking facilities and share a living room or sitting room or dining area.⁴⁴

Individuals undoubtedly take a pragmatic approach to addressing their housing needs based on a range of factors, with the cost and availability of housing being key. Equally, households do not simply form and, eventually, disappear; they form, evolve and reconfigure.

As Geoff Meen notes, changes in household formation can be a form of market adjustment which equilibrate supply and demand. Our analysis of some of the components of these changes suggests that this has certainly been the case, to at least some extent, over the past two decades. Basing future housing needs on trends during that period risks carrying forward depressed household formation patterns which – if future housing supply is insufficient as a result – become self-reinforcing.

⁴⁴ This is the official ONS definition:

<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/methodologies/methodologyusedtoproducehouseholdprojectionsforengland2016based>

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